



# **TSODILO RESOURCES LIMITED**

## **Management's Discussion and Analysis**

**FOR THE THREE AND NINE MONTH PERIOD ENDED  
September 30, 2023**

**The Management's Discussion and Analysis has been authorized for  
release by the Company's Board of Directors on November 27, 2023**

## Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements of the Company and the notes thereto for the periods ended September 30, 2023 and 2022. The Company's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Company's functional and reporting currency is United States dollars and all amounts stated are in United States dollar unless otherwise noted. In addition, the Company has three Botswana operating subsidiaries, Newdico (Pty) Ltd., Gcwihaba Resources (Pty) Ltd. and Bosoto (Pty) Ltd. which have a functional currency of the Botswana Pula. This management's discussion and analysis has been prepared as at November 24, 2023.

Disclosure of a scientific or technical nature in the MD&A was prepared under the supervision of Mr. Macdonald Kahari, the Company's Qualified Person, as that term is defined in National Instrument 43-101.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein. Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### OVERVIEW

Tsodilo Resources Limited ("Tsodilo" or the "Company") was organized under the laws of the Province of Ontario in 1996 and continued under the laws of the Yukon in 2002. It is incorporated under laws of the Yukon Territory, Canada, under the Business Corporations Act of Yukon and the address of the Company's registered office is 1 King Street West, 48<sup>th</sup> Floor, Toronto ON M5H 1A1 - Canada. The Company currently exists under the Business Corporations Act of Yukon and its common shares are listed on the Canadian TSX Venture Stock Exchange ("TSXV") under the symbol TSD.

Tsodilo is an exploration stage company which is engaged principally in the acquisition, exploration and development of mineral properties in the Republic of Botswana. The Company is considered to be in the exploration and development stage given that none of its properties are in production and, to date, has not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the renewal of exploration licenses, obtaining the necessary permits to operate a mine, obtaining the financing to complete exploration and development, and future profitable production.

### Outstanding Share Data

As of November 27, 2023, 53,144,925 common shares of the Company were outstanding. Of the options to purchase common shares issued to eligible persons under the stock option plan of the Company, 4,656,250 options are outstanding of which 3,368,750 are exercisable at exercise prices ranging from CAD \$0.07 - \$0.75.

Grant Date	Expiry Date	Grant Price (CAD)	Granted	Outstanding	Exercisable
June 12, 2023	June 12, 2028	\$0.21	950,000	950,000	237,500
January 1, 2023	January 1, 2028	\$0.20	650,000	650,000	325,000
July 1, 2022	July 1, 2027	\$0.29	1,000,000	1,000,000	750,000
January 1, 2022	January 1, 2027	\$0.64	425,000	425,000	425,000
May 21, 2021	May 1, 2026	\$0.75	650,000	550,000	550,000
January 1, 2021	January 1, 2026	\$0.47	275,000	275,000	275,000
September 21, 2020	September 21, 2025	\$0.09	425,000	218,750	218,750
January 2, 2020	January 2, 2025	\$0.07	275,000	162,500	162,500
June 6, 2019	June 6, 2024	\$0.17	925,000	375,000	375,000
January 2, 2019	January 2, 2024	\$0.28	260,000	50,000	50,000

As of November 27, 2023, 2,500,941 warrants are outstanding and exercisable as follows:

Grant Date	Expiry Date	Grant Price (USD)	Granted	Outstanding	Exercisable
January 25, 2023	January 25, 2025	\$0.20	2,500,941	2,500,941	2,500,941

### Principal Shareholders of the Company

To the best of the Company's knowledge, the principal shareholders (greater than 5%) of the Company as of November 27, 2023, are as follows:

Name	Description	Shares Owns, Controls or Directs	% of the Issued and Outstanding Shares
Azur LLC	Investment Trust	4,996,065	9.40%
Lucara Diamond Corporation	Diamond Mining Co.	4,476,773	8.42%
David J. Cushing	Investor	4,327,579	8.14%
Karsten Busche	Investor	3,785,625	7.12%
James M. Bruchs	Chairman and CEO	2,888,119	5.43%

### Exploration Activities as at September 30, 2023

#### Subsidiaries

- ◇ The Company holds a 100% interest in its Botswana subsidiary, Gcwihaba (Pty) Limited ("Gcwihaba") which holds four (4) metal (base, precious, platinum group, and rare earth) prospecting licenses and a 5<sup>th</sup> license is currently under litigation for renewal.
- ◇ The Company holds a 100% interest in its Botswana subsidiary, Bosoto (Pty) Limited ("Bosoto"), which holds one (1) precious stone prospecting license; PL369/2014 for the area which contains the BK16 kimberlite.
- ◇ The Company holds a 100% interest in Newdico (Pty) Limited ("Newdico"), which provides administrative, operational, exploration, geophysical, and drilling services to the Company's other subsidiaries.
- ◇ The Company holds a 100% interest in Tsodilo Resources Bermuda Limited to which the shares of its operating subsidiaries are registered.

#### 1. DIAMOND PROJECTS

The Company holds one prospecting license for precious stones, registered to Bosoto. This license is summarized in Table 1.

Table 1

Precious Stone Prospecting Licenses as at September 30, 2023

Prospecting License Number	Km <sup>2</sup>	Grant Date	Expiry or Renewal Date	Current Stage	Expenditure <sup>1</sup> Per Annum (BWP)		Total Expenditure from Grant Date and if held to Full License Term	
					Rental Fee	Work Program	BWP	USD as at 9/30/2023
369/2014	1.02	10/01/21	9/30/23	Renewal pending	1,000	NA	NA	NA

### **1.1 PL369/2014 (BK 16)**

Bosoto was granted a prospecting license (PL) (PL369/2014) over the BK16 kimberlite pipe effective October 1, 2014. The prospecting license was renewed for an additional two-year period commencing October 1, 2017, and a second two-year renewal application was granted effective October 1, 2019. Bosoto received a second two-year renewal of the license due to Covid-19 relief from the Ministry of Mines and Energy ("MME") for PL369/2014 commencing October 1, 2021. An application for a three-year extension in order to complete the work program delayed by the pandemic was filed during the quarter and is pending.

The diamondiferous BK16 kimberlite pipe is located within the Orapa Kimberlite Field ("OKF") in Botswana and is covered by ~25 meters (m) of Kalahari Group sediments. BK16 is located 37 kilometers (km) east-southeast of the Orapa Diamond Mine AK01, 25 km southeast of the Damtshaa Diamond Mine, and 13 km north-northeast of the Letlhakane Diamond Mine, all operated by Debswana and 28 km east-northeast from Lucara Diamond Corporation's Karowe Mine (AK6).

The OKF contains at least 83 kimberlite bodies, varying in size from insignificant dykes to the 110 hectares (ha) AK01 kimberlite pipe. Ages of emplacement are Cretaceous and range from 111 Ma for Letlhakane-DK01 (Letlhakane Mine) to 85 Ma for Orapa-AK01, representing a protracted period of kimberlite magmatism lasting approximately 20 million years. Of the 83 known kimberlite bodies, eleven (11), AK01, AK02, AK07 (Orapa, Debswana); AK06 (Karowe, Lucara Diamond Corporation); BK01, BK09, BK12, and BK15 (Damtshaa, Debswana); DK01 and DK02 (Letlhakane, Debswana); and BK11 (Firestone Diamonds) are currently being or have been mined.

In July 2016, Tsodilo Resources Bermuda Limited ("TRBL") completed a share repurchase and royalty fee agreement with Bosoto's minority shareholders. The minority shareholders' 25% equity interest was purchased for a 2% gross proceeds royalty derived from the sale of diamonds mined from Bosoto's BK16 kimberlite project. The result of this transaction resulted in Tsodilo having a 100% interest in Bosoto and its BK16 exploration project.

### **Summary of Work Performed as at September 30, 2023**

The diamondiferous BK16 kimberlite pipe is approximately six (6) hectares in size at the surface and is known to contain rare and valuable Type IIa diamonds. A mini-bulk sampling program was undertaken to obtain an initial determination of the quality and value of the BK16 diamonds. This was successfully undertaken via fourteen (14) 24-inch Large Diameter Drilling (LDD) totaling 3,121 meters. 2,077 tonnes (caliper) of kimberlite were extracted. From this extraction, 243 individual bulk samples were processed at the Company's dense media separation (DMS) plant ahead of X-Ray diamond separation and final hand sorting at the Company's secure recovery unit. The diamond recovery resulted in 509 diamonds weighing 78.403 carats which were studied for value and size frequency distribution (SFD) modelling to model the SFD of the BK16 kimberlite which showed the following:

- ◇ successfully demonstrated the potential of the BK16 kimberlite to host high value diamonds between US\$ 281 to US\$ 792 per carat, see Table 2;
- ◇ successfully confirmed the presence of Type IIa diamonds where 3.8% of the diamonds were identified as high-quality Type IIa diamonds consisting predominantly of D color stones;
- ◇ a Size Frequency Distribution study (SFD) of the diamonds recovered from the LDD samples indicates that the size distribution of BK16 could be coarser than several producers in southern Africa. There are indications that BK16 could have a broadly similarly coarse-shaped size distribution to that of the Lucara's Karowe Mine (Botswana), Petra Diamonds' Premier Mine (South Africa), and Lucara Diamond's Mothae Mine (Lesotho); and,
- ◇ successfully confirmed the potential of BK16 to host large special stones of +10.8 carats where size frequency distribution analysis indicates that 2% to 5% of the total carats may be greater than 10.8 carats (specials) (which compares favorably with Lucara Diamond Corp.'s Karowe Mine (AK6) production of specials).

This SFD modeling led to a scoping level range analysis techno-economic modelling of the deposit using some defined variables and options for developing the project. This range analysis suggests that a positive Net

Present Value (NPV) project is possible. The range analysis suggests that at diamond values around \$350/ct the target could support a well-managed toll treatment operation. As the value increases to \$500-550 it would be viable to contemplate a variety of low-capital intensity operations. At values above \$600-650/ct, the strategy of developing a stand-alone full-size operation should be pursued. Still, further alternatives involved the utilization of other processing plants in the OKF that are operating beneath their capacity.

These encouraging results suggest that BK16 has the potential to become a mineable asset and suggest that the BK16 project employ a surface bulk sample method to augment the Phase 1 LDD sampling for its next Phase II stage of evaluation.

**Table 2**  
**Phase I SFD modelled grade, diamond value, and kimberlite value.**

Variable	Unit of Measure	BK16 Sample	Current BK16 SFD Study			
			Min	P20	P80	Max
Grade	cpht	3.8	4	5	7	8
Diamond Value	US\$/carat	177	281	290	600	792
Kimberlite Value	US\$/tonne	6.6	11	15	38	67

### Heavy Mineral Analysis

Botswana International University of Science and Technology (BIUST) performed a heavy mineral chemistry analysis on the VK3 phase from BK16 LDD samples. The study found that:

- ◇ The heavy minerals are composed of garnets (mostly eclogitic and pyroxenitic garnets), ilmenite (Mg-ilmenite), Phlogopite (Al-rich kimberlitic Phlogopite), olivine (forsterite and pyroxenes (diopside and enstatite), accompanied by inclusions of Cr-magnetite and trace amounts of omphacite, augite, chromite, barite, and calcite.
- ◇ The xenocrysts provide evidence that the BK16 kimberlite pipe is a Group 1 kimberlite with xenocrysts of eclogitic, pyroxenitic, and ultramafic/mafic MARID suite provenance.

### Future Plans and Outlook for BK16

The encouraging results from the Phase I program justify moving on to Phase II which is to increase the number of carats recovered significantly by processing a far larger sample which will lead to an increase in the certainty of the grade and diamond value. Phase IIa will consist of the following:

Phase IIa Surface Bulk Sampling:

- ◇ Extract ~20,000 metric tonnes of kimberlite to obtain 800 to 1,600 carats of diamonds;
- ◇ Significantly improve the understanding of the grade of the deposit in cpht;
- ◇ Solidify further the accuracy of the high diamond value in US\$ per carat;
- ◇ Further confirm the presence and quality of the Type IIa diamond population;
- ◇ Confirm the presence of larger stones and demonstrate that BK16 will be a significant producer of special stones above 10.8 carats and > 100 carat stones;
- ◇ Carry out hydrogeological, further independent Economic Modelling, an Environmental Impact Assessment, and Feasibility level engineering studies;
- ◇ Define an inferred resource consisting of the development of geological and domain models, and geo-statistical analyses of grade ;
- ◇ Further refine the accuracy of the economic fundamentals of the project to move towards detailed feasibility studies and ultimately mining;
- ◇ Determine Grade, Value per Size Fraction, and Size Fraction Distribution;
- ◇ Utilize dry XRT and XRT sorting technologies to recover large and small diamond stones, and reduce the risk of diamond damage from crushing; and
- ◇ Understand mining constraints and the Life of the Mine to select an appropriate plant throughput.

The envisioned Phase IIa surface bulk sampling of this type constitutes standard industry practice for diamond exploration of kimberlites like BK16 to gain enough carats for an effective economic analysis. The Phase IIa bulk sample design will be a basic small and shallow box-cut style sample. Twenty-five (25) meters of overburden will be stripped to expose the kimberlite below resulting in a depth of the box-cut design of 30 - 35 meters. Engineering studies undertaken into this surface bulk sample were comprised of a geotechnical characteristic study; a sample location optimization study to maximize the number of diamonds; and, a final optimized pit design optimization which constructs a box-cut design specification optimized pit shell that takes into account geotechnical parameters and grade and tonnage considerations. This final design was signed off by independent engineers. In addition, a detailed rehabilitation plan was created that meets statutory requirements and will ensure the workings and facilities are safe and restore the environment to as close as possible to its natural state.

Considering that the BK16 project is at an advanced exploration stage of development the potential for future expansion and growth opportunities, a techno-economic model was undertaken by an independent contractor to provide sound financial evaluation information.

If results are positive from this Phase IIa then a further phase of bulk sampling will be undertaken (Phase IIb) for a 5,000 tonnes LDD program plus another 20,000 tonnes of surface bulk sample in Phase IIb. Phase IIa and Phase IIb should provide a total of 1,800 to 3,600 carats and provide a solid foundation for advancing the BK16 project, where it is envisaged that this will lead to mining of the BK16 kimberlite.

A technical review of the infrastructure, engineering, project management, environmental, and human resource studies were undertaken by an independent contractor.

An application for a three-year license extension was filed during the 2<sup>nd</sup> Quarter and is currently pending.

## **1.2 PL217/2016**

PL217/2016 was acquired in the second quarter of 2017. The license has an effective date of January 1, 2017, for an initial period of three (3) years followed by two 2-year renewals. The first renewal was granted on June 29, 2020 and the second renewal on July 1, 2022.

A novel mix of remote sensing strategies which involved studying in combination air magnetic surveys; Aster LT1; Aster GED Emissivity; Landsat ETM 7+; Landsat LC08, Landsat 8 False Color, Shuttle Radar Topography Mission (SRTM) digital elevation models (DEM); and regional digitized geology, helped identify several potential alluvial and kimberlite targets for further exploration.

Following this study, follow-up magnetometry and gravimetric surveys were undertaken. Detailed ground magnetics surveys over selected targets were conducted in several stages, and totaled 612 survey line kilometers. This further refined the understanding of the area and identified 12 kimberlite targets of which five were a high priority. Additional high-resolution ground gravity surveys followed and were conducted along lines perpendicular to the previously identified paleo-channels and downstream of AK6 and BK11. Modelling of the ground magnetic and ground gravity data led to the identification of several paleo-channels. Where alluvial gravel paleo-channels have characteristically lower densities, and as such can be identified as having a lower gravity value than the surrounding areas. This modelling indicated significant overlaps between these ground geophysical surveys and the remote sensing interpretations for the locations of subsurface paleo-channel alluvial targets. Several prospective paleo-channel targets close to present-day drainages at 15 to 40m below the surface had been noted.

A review of the Company's extensive exploration work was performed in the fourth quarter 2022 and it was determined that the gravity data revealed depths to interpreted gravel channels as too deep (up to 30m) and therefore not likely to be channels but caused by sandstones. The Company also believes that there are not enough gravel tonnages to make an economic project. Accordingly, the license was relinquished in its entirety in the 4<sup>th</sup> quarter. The Company has written off the capitalized cost of \$584,643 as impaired as at the year-ended December 31, 2022.

## 2. METALS (BASE & PRECIOUS, PLATINUM GROUP METALS, AND RARE EARTH ELEMENTS) PROJECTS

Seven (7) PLs were reissued as initial grants effective October 1, 2018, for a period of three (3) years. Two-year renewal applications were filed in the second quarter of 2021 reducing the overall license package from 4,921 km<sup>2</sup> to 2,462 km<sup>2</sup> consisting of five (5) prospecting licenses. The reduction in the license area package had no impact on the prospectively of the remaining project area. Four licenses were renewed effective January 1, 2022, while the fifth remains in the renewal process. The details of the Company's prospecting licences are outlined in Table 3.

**Table 3: Gcwihaba Metal Licenses as at September 30, 2023**

Prospecting license Number	Km <sup>2</sup>	Grant Date	Expiry or Renewal Date	Current Stage	Expenditure* Per Annum (BWP)		Total Expenditure from Grant Date and if held to Full License Term	
					Rental Fee	Work Program	BWP <sup>1</sup>	USD as at 9/30/23
020/2018	454	NA	NA	In Renewal	NA	NA	NA	NA
021/2018	573	1/01/22	12/31/23	1 <sup>st</sup> Renewal	2,865	1,000,000	2,005,730	144,856
022/2018	161	1/01/22	12/31/23	1 <sup>st</sup> Renewal	805	1,000,000	2,001,610	144,559
023/2018	492	1/01/22	12/31/23	1 <sup>st</sup> Renewal	2,460	1,000,000	2,004,920	144,798
024/2018	782	1/01/22	12/31/23	1 <sup>st</sup> Renewal	3,910	1,000,000	2,007,820	145,007
								579,220

<sup>1</sup> Amounts include services accounted for at market value provided by Tsodilo and its subsidiaries and all expenditure amounts are incremental in nature and qualified by positive results in the evaluation process throughout the license term.

The exploration work conducted on the Gcwihaba licenses has developed over time and the following targets are currently being explored within Neoproterozoic rocks within the licenses which are comprised of Copper Belt (Lufilian Arc) equivalent meta-sediments (including graphitic phyllites, schists, marbles (carbonates), diamictites, and iron formation), metabasites and gabbros (535 Ma):

1. **Xaudum Iron Formation Deposit:** Comprised of a magnetite-banded iron formation deposit and iron-rich schists that are contained within the Grand Conglomerate Formation (linked to the Chuos in Namibia);
2. **Copper and Cobalt Exploration:** Sedimentary Cu/Co (Katanga type sediments) within the entire Neoproterozoic package;
3. **Xaudum Gold Exploration:** Gold mineralisation linked to the Xaudum Iron Formation; and
4. **Rare Earth Element Exploration:** Skarn REE and Cu targets. These are secondary targets hosted within marbles (carbonate) rich lithologies and include significant enrichment in REE and Cu.

### Summary of Work Performed as at September 30, 2023

Exploration for these metals is driven by geophysics as there is no outcrop and there is significant Kalahari cover overburden of sands and calcrete. To this end, the Company has completed:

**Geophysics:** Over 1,800 km<sup>2</sup> (~20,000-line km) of detailed ground magnetics which has defined the extent of the highly magnetic XIF. An airborne survey (Spectrem) was flown (16,934-line km) collecting electromagnetic (EM), magnetic, and radiometric data. A 10,392-line km at a 500 m flight line interval airborne gravity survey also was flown. These surveys have contributed greatly to advancing the structural and geological modelling of the area, which have aided immensely in exploration targeting.

**Drilling and Assaying:** 366 core drill holes totalling 77,174 meters of core, including 116 reflex gyro surveys, and over 52,000 samples were sent for assay. Additionally, a 220-hole drill program (13,689 meters) known as the Kalahari Geochemistry Program (KGP) was conducted to test soil overburden for hydromorphic dispersion of copper and other metals from bedrock mineralization via assaying (8,326 samples assayed for As, Au, Bi, Co, Pb, Al, Ca, Cu, Mg, Ni, Zn, and Ag) on a 2 km grid to locate targets for further exploration and drilling. This program identified a number of high-priority targets for further exploration.

**Xaudum Iron Formation:** This is a potential prospect for future mining and has been identified as our key program. To date drilling of Block 1, the northern part of the XIF deposit resulted in a geology and mineralisation model being generated using the Gocad modelling package. This model was used by SRK Consulting (U.K.) to define Gcwihaba's maiden Mineral Resource Estimate (MRE) in a National Instrument (NI) 43-101 technical report for Block 1, via standard pit optimisation techniques. This Block 1 resource is defined as 441 million tonnes (Mt) grading 29.4% Fe, 41.0% SiO<sub>2</sub>, 6.1% Al<sub>2</sub>O<sub>3</sub>, and 0.3% P and represents Botswana's first and only iron resource. Davis Tube Recovery (DTR) metallurgical test work showed that all major mineralised units are capable of producing a premium-grade magnetite concentrate product of ~67% Fe. This XIF iron concentrate product will be very similar to the iron ore concentrate fines and pellets feed produced from premium iron ore producers in the U.S., Canada, Brazil, Sweden, etc., and attract a premium value compared to standard global iron ore products.

The reported Block 1 Mineral Resource represents only a fraction of the potential XIF mineralization delimited by the ground magnetics. An Exploration Target for the entire strike of the XIF is estimated to be 5 to 7 billion tonnes with grades ranging between 15-40% Fe. This XIF Exploration Target was generated using inversion modelling of the ground magnetic signal which was compared to local drill-hole model volumes to create inversion model volume conversion factors, these values were used to define volumes for the entire XIF which were converted to tonnes via measured density values. It is important to note that the tonnages and grade quoted in this exploration target are conceptual in nature, there has been insufficient exploration to define this fully as a mineral resource, and it is uncertain if further exploration will result in the full target being delineated as a mineral resource.

A Phase II evaluation drilling program has begun within the next major XIF magnetic anomaly area, referred to as Block 2 (split into Block 2a priority, and Block 2b). The Company created a 3-D model based on these holes focussed on the area around the elongated "C" XIF target. The area is dominated by the DIM Geodomain. Using the Company wireframes, Baker Geological Services Ltd ("BGS") assessed the potential tonnage and grade within the modelled Block 2a target by creating block models. The extent of the wireframes was limited by a bounding surface so that the model was more restricted to areas around the drilling undertaken. The depth extent of the model was also limited to the approximate depth of the drillholes, being approximately 215m from the surface. It should be noted that the level of study at Block 2a is however considered conceptual at best with limited exploration undertaken. The study noted that:

- ◇ Using average grades from the assay data and using density values determined from the Block 1 exploration, a minimum tonnage of between 100Mt and 300Mt has been calculated at a grade between 20% Fe and 30% Fe.
- ◇ Using the Davis Tube results, at a grind size of 80 microns, a contained minimum concentrate of between 20Mt and 60Mt can be determined.

755 assay results from 10 drill holes in Block 2a have been returned and confirm that Block 2a located 10 kilometers south of Block 1 is a continuation of the same Block 1 magnetite-rich units which will result in a significant increase in the resource tonnage for the XIF project upon completion of the Block 2a drill program. The Company is looking to expand its XIF resource into Block 2a and these assay results show that the Company can expect a significant resource increase in this area. Assay Results for 10 holes drilled in Block 2a show the following:

- Ten (10) evaluation drill holes were drilled within the Block 2a area of the XIF totalling 2,046.40 meters;
- 1,197.70 meters of highly magnetic magnetite-rich iron mineralization of the same type as seen in Block 1 were intersected;

- Drilling results indicate that Block 2a contains the same three magnetite resource lithological units that are seen in Block 1 with the following average grades; and
  - 35.6% Fe is the average Block 2a grade of the major Banded Magnetite BIF unit coded MBA (inclusive of weathered material);
    - 35.5% Fe was the average Block 1 grade for MBA;
  - 25.1% Fe is the average Block 2a grade of the major Magnetite Diamictite Schist unit coded DIM (inclusive of weathered material);
    - 20.8% Fe was the average Block 1 grade for DIM;
  - 25.0% Fe is the average Block 2a grade of the minor Magnetite Garnet Schist unit coded MGS (inclusive of weathered material);
    - 22.1% Fe was the average Block 1 grade for MGS;
  - These results confirm that the units in Block 2a are a continuation of the same magnetite-rich iron formation 10 kilometers south of Block 1; and
  - Based on metallurgical Davis Tube Recovery (DTR) magnetic separation (P80 of 80 microns) results for Block 1, a general average high-grade iron concentrate of 66 - 67% Fe and above can be expected from Block 2a;
- Block 2a will represent a significant increase in the XIF resource tonnages as it is of a similar size to Block 1.

In total, nineteen drillholes are planned to improve the confidence and model in the area, totaling 3,800m of drilling. Drilling in Block 2 will commence in the first quarter of 2024.

**Geotechnical Test Works:** Tsodilo undertook 30 geotechnical lab test works on the important formations for the Xaudum Iron Formation project including those that will make up the majority of the likely pit walls during the mining of the iron. These tests work included 18 Unconfined Compressive Strength (UCS) tests, 8 Brazilian Tensile Strength (BTS) tests, and 4 Direct Shear Strength (DSS) tests. The UCS and the BTS strength tests indicate that the XIF major Geodomains are competent and strong in both dimensions of compression and tension. The UCS mode of failure indicates that DIA, DIAW, and MBW tend to show a preferred mode of failure related to foliation. This is not as common for MBA and CAC. The joint discontinuities tested for DSS lean towards poor and fair characterizations.

These are the first set of geotechnical lab tests conducted on the XIF and show that the XIF materials are competent and will result in a good set of geotechnical parameters to be used in the ongoing PEA. These geotechnical lab tests show that the XIF materials are all within standard mechanical rock property ranges and that there will be no geotechnical issues arising from the XIF materials confirming that the XIF will show "normal" pit wall angles

**Copper and Cobalt Exploration:** Tsodilo has identified within the same area the exciting potential for Copper/Cobalt, Rare Earth Elements (REE), and Gold within these same Katanga meta-sediments and associated basement complex. Tsodilo has reviewed and refined its targets to fourteen (14) high-priority Cu and Co targets for further exploration. This work led to a soil sampling program to help define these targets further. 5,071 soil samples were collected and sieved to 180 meshes from the sub-deflation soil zone during the dry season. The first target soil samples were sent for a specialized partial digestion technique which has been specially developed for sampling in covered terrains called TerraLeach at Intertek laboratories Australia. This data was validated and further studied to remove geomorphological controls and highlighted a significant target of interest that has been prioritized for drilling. Further geological interpretation and modelling have been ongoing and are designed to aid in delineating zones of alteration, such as albite and Na-feldspar alteration which act as pathfinders for fluid flow zones that may help in defining areas that may have potential for Cu mobility. This geological interpretation program has also aided in our understanding of the geology of the area, where there have been some significant developments in our regional understanding that are being captured and mapped.

**Rare Earth Element Exploration:** The Company has identified at least two significant skarn associated prospects 1822C26 ("C26") and 1822C27("C27") that contain a standard suite of ordinary carbonate, silicate, and

phosphate REE minerals of well-established metallurgy that can be exploited easily. The holes in the two skarn anomalies C27 and C26 that stand out as being high in TREO% are as follows:

- ◇ 1822C27\_6: C27 skarn anomaly - This hole has the highest TREO recorded at 1.49% at 2m of intervals over 1% TREO and 4m of intervals over 0.1% TREO.
- ◇ 1822C27\_2: C26 skarn anomaly - This hole has 1m over 1% TREO but has 45m of intervals over 0.1% TREO.
- ◇ 1822C26\_1: C26 skarn anomaly - This hole has 18m of intervals over 0.1% TREO.
- ◇ 1822C26\_3: C26 skarn anomaly - This hole has 11m of intervals over 0.1% TREO.

The C27 skarn anomaly, which is the larger of the two skarn prospects, has been modeled to a conceptual Exploration Target of 81 Mt to 97 Mt of skarn with grades ranging from 0.05 % to 1.5 % Total Rare Earth Elements Oxide (TREO). The C26 skarn tonnage ranges from 4 Mt to 5 Mt with grades from 0.05 % to 0.5 % TREO. It has to be noted that these numbers are only for the modeled regions where there are drilled holes and do not cover the whole skarn area as modeled from the surface magnetic expression. These conceptual skarn anomaly Exploration Targets were generated by geologically modelling in 3 dimensions using the drill-hole intersections of the skarn anomaly allowing volumes representing the skarn to be generated. These modelled volumes were then turned into the tonnages quoted by using a likely range of densities for this skarn material of 2.5 to 3.0 g/cm<sup>3</sup>. It is important to note that the tonnages and grades quoted in this exploration target are conceptual in nature, there has been insufficient exploration to define this fully as a mineral resource, and that it is uncertain if further exploration will result in the full target being delineated as a mineral resource.

Fifty drillholes, each to be drilled to a depth of 250 m, are planned for drilling to fully define the extent of C26 and C27 skarn deposits. This gives a combined total depth of 12,000 m.

**Gold Exploration:** Several gold anomalies have been seen within some of the Xaudum Iron Formation drill holes and associated facies as described above. This gold project has thus far identified that there is potential for gold mineralization to be associated with the XIF, where an analogy has been drawn to the Homestake gold deposit in South Dakota, US, where phyllites acted as the source for the gold deposited in the XIF material. A detailed review of all data collected to date assisted in identifying several potential gold anomalies for further study within the drill-hole dataset; these have been used to assess the potential for generating Gold targets for further exploration within this Xaudum Iron Formation and associated units. This led to a significant core logging and data mining program to identify current holes that can be processed for gold assay, to date 6 holes have been identified as having potential gold mineralization and are awaiting gold assay.

#### **Future Plans and Outlook - Metals Projects**

Xaudum Iron Formation: The fundamentals for iron ore are strong and iron ore has seen a strong drive that may indicate the beginning of a new super cycle for the commodity, and with this, as a background, the Company is currently exploring options for developing the XIF resource. To this end, the Company has commenced a Preliminary Economic Assessment (PEA) for this project. The objective of this PEA will be to conduct an early-stage economic analysis of the potential viability of the mineral resources and to develop a general strategy to move the project forward, given its premium ore potential. The PEA will include detailed studies into; processing and engineering strategies; equipment and technology requirements; transport and infrastructure requirements; identification of potential environmental and social aspects; associated costs such as capital costs, operational costs, and life-cycle costs; and, anticipated revenues.

The Xaudum iron ore project is a national interest project that can be exploited to produce an iron product of 67% Fe and above. This highly attractive and valuable Fe product can also be further beneficiated to other Fe products such as ferroalloys, reduced iron products, and steel. The potential for a small-scale start-up mine supplying magnetite to a small-scale ferrosilicon (FeSi) plant which will sell FeSi products to the mines in Botswana and the mines in the local SADC area is also being explored as a way of initiating mining at a small scale while a larger scale mine and infrastructure can be explored and developed.

The Company has entered into a research collaboration endeavor with the Department of Chemical, Materials, and Metallurgical Engineering at the Botswana International University of Science and Technology (BIUST) and Morupule Coal Mine (MCM) to undertake metallurgical studies concerning the potential of generating a Pellet Feed and Direct Reduced Iron (DRI) product from the Xaudum Iron Formation (XIF) utilizing its magnetite and MCM's coal as a reductant. Commercially, these high-grade pellets and DRI products would be used to produce steel within Botswana, the region, and internationally.

Tsodilo has also joined the Walvis Bay Corridor Group (WBCG), as there is currently a Feasibility Study commissioned by the Namibian Ministry of Works and Transport for the part of the corridor called the Trans-Zambezi Railway Extension Grootfontein - Rundu - Katima Mulilo. This Trans-Zambezi Railway Extension line linking Zambia and Namibia is planned to pass through Divundu, Namibia providing access to Walvis Bay, Namibia's deep-sea port. Divundu is located approximately 35 kilometers (22 miles) from the Companies Xaudum Iron license location in Northern Botswana.

**Copper and Cobalt Exploration:** A detailed review of the data is ongoing to further refine exploration priorities incorporating new detailed structural and geological mapping data alongside the recent soil sampling information. This work also includes plotting alteration data logged and assay generated on geological cross sections, interpolation of information into a 2D map, and improved structural interpretations, which will ultimately lead to updated drill target recommendations. The remaining soil samples will be sent for TerraLeach analysis to assist in refining the high-priority Cu and Co targets so focused drilling of these targets can occur.

**Rare Earth Element Exploration:** The next stage for REE exploration is to develop a detailed study of the geology and facies and alterations associated with the skarns and develop a detailed geological and mineralization model of these skarn anomalies. This will lead to the development of an REE exploration target tonnage and grade range that will advance the next stage of REE drilling and exploration program to further define the grade and tonnage of these REE deposits.

**Gold Exploration:** The gold logging program will continue and holes identified sent for gold assay, which will lead to drill-target generation for further exploration.

**Litigation:**

On or about June 30, 2021, the Company's wholly owned Botswana subsidiary, Gcwihaba Resources (Pty) Ltd. (Gcwihaba) submitted prospecting renewal license applications for its Xaudum Iron Formation project in northwest Botswana. Of the then current 7 licenses, two licenses were relinquished in their entirety and 5 were submitted for renewal. Collectively 50% of the combined license area in the 7 licenses was relinquished pursuant to Section(s) 17 and 19 of the Mines and Minerals Act.

Four of the five licenses that contain the vast bulk of the exploration target in the Xaudum Iron Formation project were renewed as submitted, effective January 1, 2022, while the fifth license, PL020/2018, continued in renewal.

Despite periodic inquiries as to the license renewal status, Tsodilo was first apprised of a possible reason for the continued delay on April 26, 2022, when the Minister of Minerals and Energy (MME) informed Gcwihaba that part of the area included in license PL020/2018 is in the buffer zone surrounding the Okavango Delta, a UNESCO World Heritage Property, and that any prospecting activities in that area would be subject to environmental assessment measures.

On April 27, 2022, Gcwihaba promptly responded by reminding the MME that:

- (i) the license in question has existed in its present form since 2008, six years before the buffer zone was established by the State party and not by UNESCO;

- (ii) prior to establishment of the current buffer zone in 2014, significant exploration had already been conducted in that area and a compliant NI 43-101 Inferred Mineral Resource Statement prepared by SRK was submitted to the MME identifying a mineral resource of 441 Mt grading 29.4% Fe;
- (iii) when it was established in 2014, the current buffer zone encroached on a portion (169 Mt) of the Company's identified mineral resource; and
- (iv) the prospecting license including this area has since that time been renewed and re-granted multiple times without any controversy.

Gcwihaba also expressed complete agreement that prospecting, and mining activities were permitted in the buffer zone subject to various environmental standards and practices spelled out in Botswana law, and further affirmed its commitment to comply with all such requirements and to develop the Xaudum Iron Formation project in an environmentally friendly manner.

With apparent agreement as to the facts and applicable law, and with renewed and unequivocal assurance from Gcwihaba that it would be sensitive to environmental issues and would fully comply with all laws and regulations in this regard, it was expected that any concerns had been more than addressed and that the PL020/2018 license would now be renewed in short order.

However, in a letter received on June 15, 2022, despite its earlier clear statements to Tsodilo that exploration and mining could be conducted in the buffer zone, and a history of similar statements by the Botswana government in multiple earlier UNESCO filings, the Ministry advised that the PL020/2018 license would not be renewed if it included any areas located within the buffer zone.

To reach a mutually acceptable resolution, the Company filed a revised renewal application reducing the buffer zone area of the license block to only an area proximate to a paved airport landing strip, a hospital and a shopping center all established, extended, or rebuilt after 2014 and all within the buffer zone. To date, the Company has received no response to the revised license application.

While the bulk of the Company's Xaudum Iron Formation resource remains free of any dispute, the area within the buffer zone is of sufficient value that the Company believes further efforts are appropriate to protect shareholder interest, and further believes that the conduct of the Botswana government in connection with the license renewal process has left no recourse other than seeking resolution in the courts. Accordingly, litigation was initiated on October 31, 2022, and an oral hearing was held in the High Court in Maun, Botswana on April 18, 2023. The High Court's decision in the matter is pending.

On September 27, 2023, upon the Company's application, the High Court of Botswana rendered an order that interdicts and restrains Minister of Mines and Energy, through the Department of Mines or any other Department from receiving, considering, or assessing the renewal applications in relation to Prospecting Licenses PL's 021024/2018 pending the delivery of the judgement in the Applicant's review application with respect to Prospecting License PL021/2018.

For more detailed information on all the above, and in the interest of transparency, the Company has established a landing page regularly updated to include all records related to this matter. Please see: <https://tsodiloresources.com/s/MMGE.asp.html>.

### Exploration Activities as at September 30, 2023

Exploration and evaluation additions for the period-ended September 30, 2023, are summarized as follows:

	Bosoto Botswana			Newdico Botswana	Gcwihaba Botswana	TOTAL
	Project BK 16 Precious Stones	Project PL 217 Precious Stones	Bosoto Total	Project PL091 Industrial Minerals	Metals	
Drilling Expenditures	\$ 1,787	\$ --	\$ 1,787	\$ --	\$ 3,283	\$5,070
Amortization Drill Rigs, Vehicles & Trucks	--	--	--	--	--	--
Geophysics	--	--	--	--	--	--
Lab Analyses & Assays	--	--	--	--	--	--
License Fees	56	--	56	--	1,581	1,637
Maintenance, & Consumables	6,885	--	6,885	--	10,018	16,903
Salaries, Wages & Services	26,641	--	26,641	--	15,923	42,564
<b>Balance at September 30, 2023</b>	<b>\$35,369</b>	<b>\$--</b>	<b>\$35,369</b>	<b>\$--</b>	<b>\$30,805</b>	<b>\$66,174</b>

Exploration and evaluation additions for the period-ended September 30, 2022, are summarized as follows:

	Bosoto Botswana			Newdico Botswana	Gcwihaba Botswana	TOTAL
	Project BK 16 Precious Stones	Project PL 217 Precious Stones	Bosoto Total	Project PL091 Industrial Minerals	Metals	
Drilling Expenditures	\$ 2,397	\$ 31	\$ 2,409	\$ 170	\$3,679	\$6,259
Amortization Drill Rigs, Vehicles & Trucks	--	--	--	--	--	--
Geophysics	102	102	204	102	102	408
Lab Analyses & Assays	--	--	--	--	--	--
License Fees	61	89	150	82	627	859
Maintenance, & Consumables	6,150	4,312	10,462	4,496	9,319	24,277
Salaries, Wages & Services	11,869	4,419	16,288	5,352	9,466	31,106
<b>Balance at September 30, 2022</b>	<b>\$20,561</b>	<b>\$8,953</b>	<b>\$29,514</b>	<b>\$10,202</b>	<b>\$23,194</b>	<b>\$62,910</b>

### LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company had a negative working capital of (\$2,763,560) [2022: (\$2,197,486)], which included cash of \$4,335 (2022: \$19,924). These funds are managed in-house in accordance with specific investment criteria approved by the board of directors, the primary objective being the preservation of capital to assure funding for exploration activities.

As at September 30, 2023, term notes payable in the amount of \$1,839,460 were outstanding from a related party. The notes have an annual interest rate of 8% and one of the notes carry a termination fee of 10% upon early redemption of the note for which there is an embedded derivative arising – the fair value of this is NIL. In addition, at the option of the note holder, the December 2018 note can be converted to stock at the discretion of the holder during future private placements that raise a minimum of CAD \$500,000, of those future private placements at the price of the private placement. The remaining notes are due on demand.

The notes payable at September 30, 2023, are summarized as follows:

<b>Date</b>	<b>Balance 12/31/2022</b>	<b>Changes in 2023</b>	<b>Balance 09/30/2023</b>	<b>Interest Rate</b>	<b>Termination Fee</b>	<b>Maturity Date</b>
31-Dec-18	\$273,006	\$--	\$273,006	8%	\$27,300	31-Dec-23*
30-Jun-19	207,242	--	207,242	8%	NIL	On Demand
31-Dec-19	57,684	--	57,684	8%	NIL	On Demand
01-Oct-20	192,042	--	192,042	8%	NIL	On Demand
21-Jun-21	26,500	--	26,500	8%	NIL	On Demand
27-Jul-21	26,500	--	26,500	8%	NIL	On Demand
28-Aug-21	27,000	--	27,000	8%	NIL	On Demand
27-Sep-21	25,500	--	25,500	8%	NIL	On Demand
31-Dec-21	102,235	--	102,235	8%	NIL	On Demand
30-Jun-22	451,159	--	451,159	8%	NIL	On Demand
21-Sep-22	25,000	(25,000)	--	8%	NIL	19-Dec-22
30-Sep-22	100,738	--	100,738	8%	NIL	On Demand
31-Dec-22	91,440	--	91,440	8%	NIL	On Demand
1-July-23	--	166,880	166,880	8%	NIL	On Demand
31-Sep-23	--	91,440	91,440	8%	NIL	On Demand
<b>Total</b>	<b>\$1,606,046</b>	<b>\$233,320</b>	<b>\$1,839,366</b>		<b>\$27,300</b>	

\*During the year-ended December 31, 2022, \$273,006 of notes payable had its maturity extended from December 31, 2022, to December 31, 2023.

- On June 30, 2022, a promissory note was issued for \$451,159 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.
- On September 21, 2022, a promissory note was issued for \$25,000. The note matured on December 19, 2022, and has an annual interest rate of 8%.
- On September 30, 2022, a promissory note was issued for \$100,738 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.
- On December 31, 2022, a promissory note was issued for \$91,440 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.
- On January 17, 2023, a \$25,000 promissory note dated September 21, 2022, was paid.
- On July 1, 2023, a promissory note was issued for \$166,880 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.
- On September 30, 2023, a promissory note was issued for \$91,440 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.

The notes payable at December 31, 2022, are summarized as follows:

Date	Balance 12/31/2021	Changes in 2022	Balance 12/31/2022	Interest Rate	Termination Fee	Maturity Date
31-Dec-18	273,006	--	273,006	8%	27,300	31-Dec-22*
30-Jun-19	207,242	--	207,242	8%	NIL	On Demand
31-Dec-19	57,684	--	57,684	8%	NIL	On Demand
01-Oct-20	192,042	--	192,042	8%	NIL	On Demand
21-Jun-21	26,500	--	26,500	8%	NIL	On Demand
27-Jul-21	26,500	--	26,500	8%	NIL	On Demand
28-Aug-21	27,000	--	27,000	8%	NIL	On Demand
27-Sep-21	25,500	--	25,500	8%	NIL	On Demand
31-Dec-21	102,235	--	102,235	8%	NIL	On Demand
30-June-22		451,159	451,159	8%	NIL	On Demand
30-Sept-22		100,738	100,738	8%	NIL	On Demand
01-Oct-22		25,000	25,000	8%	NIL	On Demand
31-Dec-22		91,440	91,440	8%	NIL	On Demand
<b>Total</b>	<b>\$937,709</b>	<b>\$668,337</b>	<b>\$1,606,046</b>		<b>\$27,300</b>	

\*During the year-ended December 31, 2021, \$273,006 of notes payable had its maturity extended from December 31, 2021, to December 31, 2022.

- On June 30, 2022, a promissory note was issued for \$451,159 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.
- On September 30, 2022 a promissory note was issued for \$100,738 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.
- On October 1, 2022, a promissory note was issued \$25,000. The note is payable on demand and has an annual interest rate of 8%.
- On December 31, 2022, a promissory note was issued for \$91,440 to an employee, who is a director of the Company. The note is payable on demand and has an annual interest rate of 8%.

### Financial Instruments

The carrying amounts reflected in the consolidated Statement of Financial Position for cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, and loan notes payable approximate their fair values due to the maturities of these instruments. Certain of the Company's warrants are classified as derivative liabilities and are recorded at their estimated fair value. There are no warrants outstanding in any of the reporting periods. Due to the nature of the Company's operations, there is no significant credit or interest rate risk.

### Operating Activities

Cash outflow used in operating activities before working capital adjustment increased to an outlay of (\$435,379) for the period-ended September 30, 2023 from an outlay of (\$414,581) for the period-ended September 30, 2022. Overall operating expenses decreased for the period-ended September 30, 2023 by \$107,717 when compared to the period-ended September 30, 2022. Large operating expense changes for 2023 include stock-based compensation decrease of \$87,248, remuneration decreased by \$27,610, legal and audit increase of \$17,996, and administrative expenses increased by 14,427. and other income decrease by \$31,266 when compared to 2022. The impact on Comprehensive loss for the period was foreign exchange translation loss of (\$624,836) in 2023 compared to a loss of (\$1,493,514) in 2022.

<b>Annual Information (in US Dollars)</b>	<b>Fiscal Period September 30 2023</b>	<b>Fiscal Year December 31 2022</b>	<b>Fiscal Year December 31 2021</b>
Net income (loss) for the year	(\$612,744)	(\$1,316,206)	(\$1,316,206)
Basic loss per share	(\$0.00)	(\$0.03)	(\$0.03)
Basic diluted loss per share	(\$0.00)	(\$0.03)	(\$0.03)
Total other comprehensive income (loss)	(\$624,386)	(\$586,801)	(\$586,801)
Total comprehensive income (loss) for the year	(\$1,237,130)	(\$1,903,007)	(\$1,903,007)
Basic comprehensive loss per share	(\$0.01)	(\$0.04)	(\$0.04)
Diluted comprehensive loss per share	(\$0.01)	(\$0.04)	(\$0.04)
Total assets	\$5,167,122	\$7,066,474	\$7,066,474
Total long-term liabilities	\$10,238	\$17,055	\$17,055
Cash dividend	\$--	\$--	\$--

<b>Quarterly Information (in US Dollar)</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Fiscal Period ended December 31, 2021</b>				
Net income (loss) for the period	(\$56,792)	(\$463,100)	(\$281,075)	(\$515,239)
Basic income (loss) per share	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.01)
Diluted basic income (loss) per share	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.01)
Comprehensive income (loss) for the period	(\$589,817)	\$14,660	(\$724,917)	(\$602,933)
Basic comprehensive income (loss) for the period	(\$0.01)	\$0.00	(\$0.01)	(\$0.01)
Diluted comprehensive income (loss) per share	(\$0.01)	\$0.00	(\$0.01)	(\$0.01)
Total assets	\$7,431,730	\$7,621,126	\$7,162,146	\$7,066,474
Total long-term liabilities	\$--	\$--	\$--	\$17,055

<b>Quarterly Information (in US Dollar)</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Fiscal Period ended December 31, 2022</b>				
Net income (loss) for the period	(\$158,632)	(\$275,537)	(\$253,528)	(\$1,332,021)
Basic income (loss) per share	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.03)
Diluted basic income (loss) per share	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.03)
Comprehensive income (loss) for the period	(\$7,511)	(\$1,114,199)	(\$1,074,523)	(\$352,349)
Basic comprehensive income (loss) for the period	(\$0.00)	(\$0.02)	(\$0.02)	(\$0.01)
Diluted comprehensive income (loss) per share	(\$0.00)	(\$0.02)	(\$0.02)	(\$0.01)
Total assets	\$7,261,148	\$6,415,393	\$5,605,069	\$5,808,293
Total long-term liabilities	\$17,478	\$16,200	\$14,969	\$10,950

<b>Quarterly Information (in US Dollars)</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>Fiscal Period ended September 30, 2023</b>				
Net income (loss) for the period	(\$210,517)	(\$172,005)	(\$230,222)	
Basic income (loss) per share	(\$0.00)	(\$0.00)	(\$0.01)	
Diluted basic income (loss) per share	(\$0.00)	(\$0.00)	(\$0.01)	
Comprehensive income (loss) for the period	(\$469,114)	(\$358,411)	(\$409,605)	
Basic comprehensive income (loss) for the period	(\$0.01)	(\$0.00)	(\$0.01)	
Diluted comprehensive income (loss) per share	(\$0.01)	(\$0.00)	(\$0.01)	
Total assets	\$5,603,973	\$5,343,187	\$5,167,122	
Total long-term liabilities	\$10,675	\$10,444	\$10,238	

## Investing Activities

Cash flow applied in investing activities increased to (\$66,174) for the period-ended September 30, 2023 (2022: \$38,791).

Total expenditures of \$66,174 on exploration properties for the period-ended September 30, 2023 were attributable to the Gcwihaba and Bosoto projects in northwest Botswana. There were limited expenses or funding of the exploration projects in these years as the Covid-19 pandemic reduced operation activities and litigation on prospects has not been settled. On May 5, 2023, the head of the UN World Health Organization (WHO) has declared "with great hope" an end to COVID-19 as a public health emergency. With the end to the pandemic and a decision expected in the licensing litigation in the near term, the Company returned to resume normal operations in the quarter.

## Financing Activities

The Company finances its corporate and exploration activities through the issuance of equity units by way of non-brokered private placements. Each unit has consisted of one common share of the Company and one warrant with each full such warrant entitling the holder to purchase one common share of the Company for a purchase price equal to the unit price for a period of two years from the date of issuance

For the year-ended December 31, 2022, 337,500 stock options were exercised for \$29,502 (C\$38,375).

On January 25, 2023, 2,500,941 units were issued at a price of C\$0.20 for proceeds to the Company of \$368,394 (C\$500,188). Each unit includes one common share and one warrant entitling the holder thereof to purchase one common share until the close of business on January 25, 2025 at USD \$0.20.

On November 16, 2023, 706,903 units were issued at a price of C\$0.20 for proceeds to the Company of \$103,664 (C\$141,380). Each unit includes one common share and one warrant entitling the holder thereof to purchase one common share until the close of business on November 16, 2025 at USD \$0.20.

In the third quarter of 2017, the Company reached an agreement with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) to grant royalties on three projects in consideration of the payment of \$1,500,000.

The package of assets in the Royalty Sale includes:

1. the grant of a 1% NSR on the Company's wholly owned Botswana subsidiary Gcwihaba Resources (Pty) Ltd. prospecting metal licenses in northwest Botswana;
2. the grant of a 1% GPR on the Company's Botswana wholly owned subsidiary Bosoto (Pty) Ltd. precious stone prospecting license (PL217/2016) located in the Orapa Kimberlite Field; and,
3. the grant of a 1% NSR on the Company's 70% owned South African subsidiary Idada 361 (Pty) Ltd. gold and silver prospecting license located in the Barberton Greenstone Belt in the Mpumalanga province of South Africa.

Sandstorm shall have a right of first refusal with respect to any third-party *bona fide* offers to purchase a metal or precious stone royalty on the properties.

On July 23, 2020, the Company reached an agreement with TBM (Pty) Ltd. ("TBM") to grant royalties on its Botswana subsidiary Gcwihaba (Pty) Ltd. ("Gcwihaba") seven (7) metal licenses (base and precious minerals, platinum group metals and rare-earth elements) projects in consideration of the payment of \$500,000 USD.

On January 25, 2021, the Company closed the first tranche of a private placement financing (the "Financing") for gross proceeds to the Company of C\$1,343,019. Pursuant to the Financing, the Company issued 2,686,038 units of securities of the Company (the "Units") at a subscription price of C\$0.50 per Unit. Each Unit is comprised of one common share in the capital of the Company ("Common Share") and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share for a period of 24 months from the date of issuance at an exercise price of USD\$0.55.

On February 10, 2021, the Company closed the second and final tranche of the Financing for gross proceeds to the Company of C\$150,000. Pursuant to the Financing, the Company issued 300,000 units of securities of the Company at a subscription price of C\$0.50 per Unit. Each Unit is comprised of one common share in the capital of the Company ("Common Share") and one common share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of 24 months from the date of issuance at an exercise price of USD\$0.55.

Tsodilo expects to raise the amounts required to fund the Gcwihaba and Bosoto projects and corporate general and administration expenses, by way of non-brokered private placements and joint ventures.

On March 4, 2021, the Company's stock began trading on the US OTCQB Venture Market under the symbol "TSDRF".

## **RESULTS OF OPERATIONS**

On a consolidated basis, the Company recorded a comprehensive net loss of (\$1,237,130) for the period-ended September 30, 2023 (\$0.02) per common share, compared to a comprehensive net loss of (\$2,181,211) for the period-ended September 30, 2022 (\$0.02) per common share.

Total capitalized exploration expenditures including amortization of property, plant and equipment used in exploration activities on all projects amounted to net \$5,000,435 as at September 30, 2023 compared to \$5,364,341 as at September 30, 2022. Total capitalized exploration expenditures incurred on the Newdico project as at September 30, 2023 was \$NIL compared to \$219,634 as at September 30, 2022. There were \$NIL additions in 2023. Total capitalized exploration expenditures incurred on Gcwihaba's projects as at September 30, 2023 were \$2,094,719 compared to \$2,026,952 as at September 30, 2022. Additions of \$30,805 in 2023 were offset by exchange translations in 2023. Total capitalized exploration expenditures incurred on Bosoto's projects as at September 30, 2023 were \$2,905,716 compared to \$3,117,755 as at September 30, 2022. Additions of \$35,369 in 2023 were offset by exchange translations in 2023. A table is presented in the Exploration and Evaluation Additions section above with specific details.

The Company incurred a loss of (\$612,744) and comprehensive loss of (\$1,237,130) during the period ended September 30, 2023 and as of that date, the Company had an accumulated deficit of \$53,783,028 and negative working capital of (\$2,763,560).

## **PERSONNEL**

At September 30, 2023, the Company and its subsidiaries employed fourteen (14) compared to twelve (12) at September 30, 2022, including senior officers, administrative and operations personnel including those on a short-term service basis.

## **RISKS AND UNCERTAINTIES**

Operations of the Company are speculative due to the high-risk nature of its business which includes acquisition, financing, exploration and development of diamond and metal properties (collectively "mineral"). Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set below. Any one or more of these risks and others could have a material adverse effect on the Company.

### **COVID-19 Global pandemic and Geopolitical risks**

Measures and guidelines implemented by the Government of Botswana in late March 2020 which allowed the Company's exploration and evaluation activities to remain operational albeit limited throughout the pandemic restrictions have gradually been rolled back as vaccination levels within Botswana have increased. Most of the Company's workforce (+99%) have been vaccinated. Although significant progress has been made in this area, the Company continues to operate under its approved crisis management plan, designed to protect the health and well-being of our employees in Botswana and elsewhere as well as the financial well-being of the business. The Company has continued with regular health screening, temperature checks and the use of infrared

measurements to prevent the spread of COVID-19. Although many countries around the world have removed the public health measures implemented to reduce the spread of COVID-19, uncertainty remains. It is possible that Tsodilo's operations could be impacted in a number of ways including, but not limited to: a suspension of exploration and evaluation activities, disruptions to supply chains and worker absenteeism due to illness. While the impact of COVID-19 is expected to be temporary, the current circumstances remain dynamic and the impacts on our financial position or operations cannot be reasonably estimated at this time. On May 5, 2023, the head of the UN World Health Organization (WHO) has declared "with great hope" an end to COVID-19 as a public health emergency. With the end to the pandemic and a decision expected in the licensing in the near term, the Company returned to normal operations in the third quarter.

In February 2022, Russia commenced a military invasion of Ukraine. In response, many jurisdictions have imposed strict economic sanctions against Russia and its interests. While the Company does not have any operations in Ukraine or Russia, its business may be impacted as the conflict and economic sanctions may give rise to indirect impacts, including but not limited to, increased fuel prices, supply chain challenges and disruptions, logistics and transport disruptions and heightened cybersecurity disruptions and threats. Increased fuel prices and ongoing volatility of such prices may have adverse impacts on the Company's costs of doing business. The implications could result in a global economic downturn that could adversely affect the Company's business. The continuance or escalation of the military conflict between Russia and Ukraine and the corresponding economic sanctions imposed on Russia may also result in increased volatility in the market for the Company's securities and could have other effects which are currently unknown.

The Company cannot accurately predict the impact that ongoing conflict in Ukraine will have on its financial position or operations. Uncertainty about judgments, estimates and assumptions made by management during the preparation of the Company's consolidated financial statements related to potential impacts of the COVID-19 pandemic and the Ukraine-Russia conflict on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

### **Additional Funding Requirements**

Further development and exploration of the various mineral projects in which the Company holds an interest depends upon the Company's ability to obtain financing through equity or debt financing, joint ventures or other means. While the Company has been successful in the past in obtaining financing through the sale of equity securities and royalty transactions, there can be no assurance that the Company will be successful in obtaining additional financing in the amount and at the time required and, if available, that it can be obtained on terms satisfactory to the Company.

The accompanying condensed interim consolidated audited financial statements for the period-ended September 30, 2023, have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of (\$612,744) and comprehensive loss of (\$1,237,130) during the period ended September 30, 2023 and as of that date, the Company had an accumulated deficit of \$53,783,028 and negative working capital of (\$2,763,560). Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is not sufficient to finance exploration and resource evaluation at the projected levels, and to finance continued operations for the 12-month period subsequent to September 30, 2023. The continuity of the Company's operations is dependent on raising future financing for working capital, the continued exploration and development of its properties and for acquisition and development costs of new projects.

Management believes that it will be able to secure the necessary financing through a combination of the issue of new equity or debt instruments, the entering into of joint venture arrangements or the exercise of warrants and options for the purchase of common shares. However, there is no assurance the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available under terms favorable to the Company.

Should it be determined that the Company is no longer a going concern, adjustments, which could be

significant, would be required to the carrying value of assets and liabilities. The consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statement of operation and comprehensive income (loss), and consolidated statement of financial position classifications that would be necessary were the going concern assumption not appropriate.

Failure to obtain equity or debt financing on a timely basis may cause the Company to postpone its exploration and development plans or forfeit rights in some of its projects.

### **Uncertainties Related to Mineral Resource Estimates**

There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on mineral prices. Any material changes in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a mineral project is complicated and involves a number of variables.

### **Commodity Prices and Marketability**

The mining industry, in general, is intensely competitive and there is no assurance that, even if commercial quantities of minerals are discovered, a profitable market will exist for the sale of minerals produced. Factors beyond the control of the Company may affect the marketability of any minerals produced and which cannot be accurately predicted, such as market fluctuations, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, any combination of which factors may result in the Company not receiving an adequate return on investment capital. Prices received for minerals produced and sold are also affected by numerous factors beyond the Company's control such as international economic and political trends, global or regional consumption and demand and supply patterns. There is no assurance that the sale price of minerals produced from any deposit will be such that they can be mined at a profit.

### **Currency Risk**

The Company's business is mainly transacted in Botswana Pula and U.S. dollar currencies. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction.

### **Foreign Operations Risk**

The Company's current significant projects are located in Botswana. This exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. There is no assurance that future changes in taxes or such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Although the operating environments in Botswana are considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business.

### **Mineral Exploration and Development**

The business of exploring for minerals and mining is highly, speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing mineral properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposit. While discovery of a

mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

### **Title Matters**

Any changes in the laws of Botswana relating to mining could have a material adverse effect to the rights and title to the interests held in those countries by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

### **Infrastructure**

Exploration, development, mining and processing activities depend on the availability of adequate infrastructure. Reliable roads, bridges, sewer and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance of provision of such infrastructure could adversely affect activities and profitability of the Company.

### **Uninsured Risks**

The mining business is subject to a number of risks and hazards including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

### **Key Personnel**

The Company is dependent upon on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company currently does not have key personal insurance on these individuals.

### **New Standards, Amendments and Interpretations Adopted**

There are no other standards which the Company would have been required to adopt in the period.

### **New Standards, Amendments and Interpretations**

Certain pronouncements were issued by the ISAB or the IFRS Interpretive Committee that are mandatory for accounting periods beginning January 1, 2023 or later periods. These standards did not have a material impact on the Company.

### **Classification of Liabilities as Current or Non-current (Amendment to IAS 1)**

The amendment to IAS 1 provides a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date. These amendments are effective for the reporting dates beginning on or after January 1, 2023. These standards did not have a material impact on the Company.

### **Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies**

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting

policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. These amendments are effective for reporting periods beginning on or after January 1, 2023.

### **Amendments to IAS 8 – Definition of Accounting Estimates**

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. These amendments are effective for reporting periods beginning on or after January 1, 2023.

### **RELATED PARTY TRANSACTIONS**

Remuneration of Key Management Personnel of the Company	<b>For the period ended September 30</b>	
	<b>2023</b>	2022
Short term employee remuneration and benefits	\$213,750	\$249,750
Stock-based compensation	121,480	189,089
Total compensation attributed to key management personnel	<u>\$335,230</u>	<u>\$438,839</u>

- ◇ During the quarter, an individual related to the CEO provided administrative and management services to the Company and was remunerated in Q3 in the amount of \$12,000 (2022: \$12,000).
- ◇ During the nine month period ended September 30, an individual related to key management personnel of the Company received \$8,018 in stock-based compensation during the year (2022: \$10,222).
- ◇ During the quarter, a board member was issued notes in the amount of \$258,320 (2022: \$551,896).
- ◇ As at September 30, 2023, there was a total of \$30,576 (2022: \$NIL) payables to related parties included within accounts payable and accrued liabilities. The amounts are unsecured, non-interest bearing and are due on demand.

There are no other related party transactions.

### **OUTLOOK**

Precious stones and metals exploration remain a high-risk undertaking requiring patience and persistence. Despite difficult capital markets in the junior resource sector and the general decrease in commodity prices, the Company remains committed to international commodity exploration through carefully managed programs.

The Company does not invest in financial instruments, nor does it do any hedging transactions.

### **ADDITIONAL INFORMATION**

Additional information relating to Tsodilo Resources Limited is available on its website at: [www.TsodiloResources.com](http://www.TsodiloResources.com) or through SEDAR at [www.sedar.com](http://www.sedar.com)

### **FORWARD-LOOKING STATEMENTS**

The Annual Report, including this MD&A, contains, contains certain forward-looking statements related to, among other things, expected future events and the financial and operating results of the Company. Forward-

looking statements are based on the opinions, assumptions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. Such assumptions include: the Company's ability to obtain necessary financing; the Company's expectations regarding the economy generally, results of operations and the extent of future growth and performance; and assumptions that the Company's activities will not be adversely disrupted or impeded by development, operating or regulatory risk. The Company believes that expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon.

There can be no assurance that such statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "Risks and Uncertainties" in the Company's AIF, as well as changes in general business and economic conditions, changes in interest and foreign currency rates, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs and availability of power and diesel, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources) and unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters).

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.

"s"

James M. Bruchs  
Chairman and Chief Executive Officer

"s"

Gary A. Bojes  
Chief Financial Officer